

23.11.07

**11 Deputy M.B. Andrews of the Minister for Treasury and Resources regarding regulatory technology tax incentives (OQ.213/2023)**

Will the Minister advise whether it is intended that the regulatory technology tax incentives will generate more investment in technology, given that such firms are regulated by the Jersey Financial Services Commission under the Zero/Ten regime and subject to low levels of tax on profits?

**Deputy I.J. Gorst (The Minister for Treasury and Resources):**

The answer to the question is yes. The goal is to spur investment in new technology within the financial services sector, which is the bedrock of our economy and public finances. Indeed, the benefit, which provides 15 pence of tax relief for every pound of spending, requires such investment to qualify. The incentive is targeted at 10 per cent companies within the Zero/Ten regime precisely because they are the main group of companies paying tax in Jersey. Efforts to stimulate innovation using tax levers must be targeted here as most companies on our Island do not pay corporate income tax.

**2.11.1 Deputy M.B. Andrews:**

As Jersey has a low level of taxation, surely the reinvested profits that are generated could provide investment in technology without the Government providing a 150 per cent investment incentive.

**Deputy I.J. Gorst:**

We know across our community finding appropriate skilled employees is challenging. We know in Financial Services that the burden of regulation and bureaucracy has increased, rightly, over the last number of decades and they find sourcing compliance individuals and all of the bureaucracy required with on-boarding challenging. This is a way of us supporting that industry to be fit for the future, making it more productive. It aligns entirely with what the Minister for Sustainable Economic Development has outlined in his future economy plan. We could just sit back and say, well, okay, we will just leave them to it. This is an added incentive on a pilot basis and we are already seeing the benefit of simply the announcement whereby firms are looking differently at their spend profile when they have choice of perhaps 100 jurisdictions.

**2.11.2 Deputy S.Y. Mézec:**

He referred to this as a pilot. How will he be assessing the impacts of this seeing as they do not seem to do any assessments of the benefits of tax allowances and reliefs?

**Deputy I.J. Gorst:**

Nothing that I have said this morning has said that the department does no assessment of any tax allowances or benefits. That is simply a point of view that the Deputy has put into his question. I was quite clear in answering his colleague's question earlier that this is a pilot programme so that I can do a post-implementation review, as we are and will be doing with - I am changing subjects now - the rent-a-room allowance. We have not yet had a full year's worth of tax forms in to be able to look at that, but that is exactly why this is a pilot programme so that we can.

**2.11.3 Deputy L.V. Feltham:**

Just following on from my colleague's question and the Minister's answer, what baseline data does the Minister have so that when he comes to the end of his pilot project he will be able to assess the effectiveness or not of this particular pilot?

**Deputy I.J. Gorst:**

We have consulted already heavily with Jersey Finance Limited, with the Fiscal Strategy Group, with Digital Jersey and J.F.S.C. (Jersey Financial Services Commission). We will be able to see what investment has taken place in RegTech that was not taking place previously but is taking place during this pilot period.

**2.11.4 Deputy L.V. Feltham:**

Related to that, can the Minister assure us that a risk assessment has been undertaken and that has included the risks of potentially ... he mentioned companies potentially choosing jurisdictions and us over that, but is there a risk that companies currently in Jersey could utilise this particular tax efficiency to channel all of their RegTech spending from perhaps their global enterprise via the Island and do some kind of avoidance of paying tax?

**Deputy I.J. Gorst:**

No, there is not that risk.